

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 94-202-G - ORDER NO. 94-1258✓  
DECEMBER 8, 1994

IN RE: Application of South Carolina ) ORDER RULING  
Pipeline Corporation for Approval of ) ON INTEGRATED  
an Integrated Resource Plan (IRP). ) RESOURCE PLAN

In 1991, the Public Service Commission of South Carolina (the Commission) established Docket No. 91-677-G to develop procedures for integrated resource planning (IRP) by gas utilities under its jurisdiction. By Order No. 93-145 (February 8, 1993) and 93-412 (May 7, 1993), the Commission adopted IRP procedures after a collaborative process in which the Commission's jurisdictional gas utilities, the Consumer Advocate for the State of South Carolina (the Consumer Advocate), the South Carolina Energy Users Committee (the SCEUC), Southern Natural Gas Company, Nucor Steel, a Division of Nucor Corporation (Nucor), Chester County Natural Gas Authority, Lancaster Natural Gas Authority, York Natural Gas Authority, the City of Orangeburg, the Department of the Army, and the Commission Staff (the Staff) participated. On April 1, 1994, South Carolina Pipeline Corporation (Pipeline or the Company) filed its 1994 Integrated Resource Plan for Commission consideration pursuant to the IRP procedures.

Pipeline's IRP filing was noticed to the public. Petitions to Intervene were received from the following parties: the Consumer Advocate, the SCEUC, Duke Power Company (Duke), Carolina Power &

Light Company (CP&L), South Carolina Electric & Gas Company (SCE&G), and Nucor.

A public hearing was held in the Commission's hearing room on November 9, 1994, at 10:30 A.M. The Honorable Rudolph Mitchell, Chairman, presided. Sarena D. Burch, Esquire, represented the Company; Arthur G. Fusco, Esquire, represented the SCEUC; Elliott F. Elam, Jr., Esquire, represented the Consumer Advocate; Mary Lynne Grigg, Esquire, represented Duke; Richard L. Whitt, Esquire, represented CP&L; Patrick Hudson, Esquire, represented SCE&G; and Gayle B. Nichols, Staff Counsel, represented the Commission Staff.<sup>1</sup>

Though its witness W. Keller Kissam, Vice-President of Gas Supply & Contract Administration of Pipeline, the Company presented a stipulation entered into between itself, Duke, and CP&L,<sup>2</sup> a stipulation entered into between itself, the Consumer Advocate, the SCEUC, and SCE&G,<sup>3</sup> and the October 20, 1994, letter from Nucor's counsel to Pipeline's counsel stating Nucor has no objection to the Commission approving the settlement agreement in lieu of holding a contested hearing. See, Hearing Exhibit No. 1.

Staff counsel stated the Staff supported the stipulations presented by Pipeline. The Staff offered the testimony of its witness, Dr. R. Glenn Rhyne.<sup>4</sup> Mr. Kissam testified Pipeline supported Dr. Rhyne's testimony.

After thorough review of the evidence of record in this

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1. Nucor was not represented at the hearing.
  2. See, Appendix A.
  3. See, Appendix B.
  4. Dr. Rhyne's exhibits were entered as Hearing Exhibit No. 2.

proceeding, the Commission's IRP procedures, and the applicable law, the Commission finds and concludes that the stipulations attached hereto as Appendix A and Appendix B should be and are hereby adopted, as modified by the recommendations included in the Staff's testimony and exhibits. In this regard, the Commission finds the following:

1. In future IRPs and Short Term Action Plans (STAPs), Pipeline should identify the areas where it anticipates the greatest degree of load growth and identify how it is structuring Demand-Side Management (DSM) programs to deal with this anticipated growth.
2. In the future, any load building DSM programs should be related to the installation of new or improved gas technologies which provide above norm end-use efficiencies and contribute to system efficiencies. In future IRPs and STAPs, Pipeline must explain how these technologies contribute to system efficiencies or justify why the programs are appropriate if they do not contribute to these objectives. In analyzing load building programs, Pipeline should consider resulting system impacts (i.e. increasing or decreasing the need for future gas supplies, transmission, distribution, and storage facilities).
3. Pipeline should consider voluntarily adopting rate impact constraints for its DSM programs. These constraints could be reflected in Pipeline's STAP.

IT IS SO ORDERED.



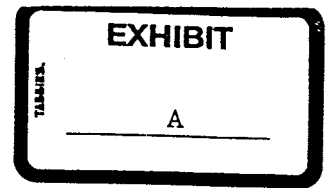
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Chairman

ATTEST:

  
Executive Director

(SEAL)



STIPULATION AGREEMENT OF SOUTH CAROLINA PIPELINE CORPORATION,  
DUKE POWER COMPANY AND CAROLINA POWER & LIGHT COMPANY  
REGARDING SOUTH CAROLINA PIPELINE CORPORATION'S  
1994 INTEGRATED RESOURCE PLAN

DOCKET NO. 94-202-G

Due to the creation by the Public Service Commission of South Carolina (the Commission) of a new generic docket (Docket No. 94-618-E/G) to address the effect of electric and gas DSM programs on competition between the electric and gas utilities (see Order No. 94-1043), South Carolina Pipeline Corporation (Pipeline), Duke Power Company (Duke), and Carolina Power & Light Company (CP&L) agree that the electric and gas competitive DSM issues previously raised in Pipeline's Integrated Resource Plan (IRP) should not be addressed in Pipeline's IRP hearing scheduled for November 9, 1994, but should instead be addressed in Docket No. 94-618-E/G. Duke and CP&L's agreement not to oppose a decision by the Commission that Pipeline's IRP should be found consistent with the Commission's current IRP procedures is expressly conditioned upon Pipeline's agreement not to use Duke and CP&L's lack of opposition as an admission or acknowledgement by Duke and CP&L that Pipeline has properly performed the pertinent DSM cost/benefit tests in its IRP. Pipeline agrees not to intervene in the 1995 IRP's of Duke and CP&L as to the electric and gas competitive DSM issues and Duke and CP&L agree not to intervene in Pipeline's 1995 IRP as to the electric and gas competitive issues because these issues should be dealt with solely in Docket No. 94-618-E/G in the interest of judicial economy.

South Carolina Pipeline Corporation

By: Laraine D. Bruce

Date: 10/11/94

Duke Power Company

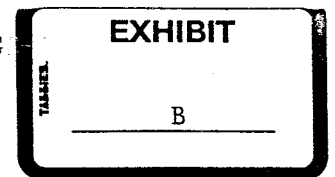
By: Mary Lynne Key

Date: 10/12/94

Carolina Power & Light Company

By: Frank Cunningham

Date: 10/17/94 ✓



September 30, 1994

STIPULATION AGREEMENT OF  
SOUTH CAROLINA PIPELINE CORPORATION  
AND THE OTHER SIGNATORY PARTIES  
REGARDING PIPELINE'S 1994 INTEGRATED RESOURCE PLAN

Docket No. 94-202-G

A. Parties: Effect of Stipulation. This stipulation is agreed to by and between the South Carolina Pipeline Corporation (Pipeline or the Company) and all other signatory parties and is intended to resolve issues raised by the parties. This stipulation has been provided to each party to this proceedings for consideration. In the event that any party does not agree to the provisions of this stipulation, any "non-consenting party" is strongly encouraged to resolve those issues that it deems to be significant through the collaborative process.

B. The Company's IRP.

1. The Company has made a good faith effort to comply with the Integrated Resource Plan (IRP) Procedures. The Demand-Side Management (DSM) programs included in Pipeline's IRP appear to fall within the definition of "demand-side activity" in Section 58-37-20 of the South Carolina Energy Conservation and Efficiency Act (SCECEA) of 1992. Under the SCECEA of 1992, "demand-side activity" means a "a program conducted or produced by a producer, supplier, or distributor of energy for the reduction or more efficient use of energy requirements of the producer's, supplier's, or distributor's customers, including, but not limited to, conservation and energy efficiency, load management, cogeneration, and renewable energy technologies." The DSM pilots set forth by the Company in the IRP filing must prove to be consistent with the Commission's IRP procedures to become eligible for incentives as actual DSM programs/options.

2. The Company's IRP is reasonably consistent with the objective statement contained in Order No. 93-145 and the overall intent of the Commission's IRP Procedures. It is also reasonably consistent with the requirements of the provisions of the SCECEA (and, in particular, with the provisions of Section 58-37-10(2), Section 58-37-40(A), and with Section 115 of the Energy Policy Act of 1992. The IRP process is on-going with adjustments and improvements required in the Company's IRP to meet the intent of the Commission's procedures. Pipeline's IRP considered both Supply-Side and Demand-Side impacts.

3. The Company has screened the DSM programs included in its April 1, 1994 filing using the Participant Test, the

Non-Participant or Rate Impact Measure Test (RIM Test), the Total Resource Cost Test (TRC Test), the Utility Cost Test and the Societal Test. The results of these tests have been filed with the Commission as justification for a finding that the DSM programs included in the Company's April 1, 1994 filing offer the potential to be cost-effective. The Company's IRP contained only proposed DSM Program (Pilot Customized Industrial DSM Program), although future IRP's may contain additional DSM programs.

4. The resource options incorporated within the Pipeline IRP should be adequate to satisfy the projected energy requirements of the Company's customers given current information and excluding any events which were not included within the Company's planning process such as emergency supply curtailments, etc.

C. Cost Recovery.

1. Pipeline is not seeking cost recovery for IRP related costs, DSM program costs, or lost revenues, at this time. The Company can seek cost recovery in the future for such costs.

2. Cost recovery for demand-side management (DSM) and/or supply-side options incorporated within Pipeline's IRP should be consistent with the Commission's Gas IRP Order No. 93-145 and with the SCECEA and with the provisions of the stipulation. The following three criteria must be met before the recovery of any DSM Cost with respect to a particular DSM program is appropriate:

- (i) Prior to implementation or modification of a DSM Program, the Company must provide justification that the program has a reasonable potential for being cost-effective. For ultimate cost-recovery, justification of a DSM program includes establishing a reasonable degree of cost-effectiveness using an appropriate method of analysis.
- (ii) During implementation of a DSM program, the Company must take steps to assure that the program is being implemented in a just and reasonable manner and that it continues to have the potential for being cost-effective. The Company needs to justify those DSM Costs which exceed the projected levels and should seek to modify and/or terminate those options which are not cost-effective and do not have the potential to be cost-effective.
- (iii) At the time that the Company seeks to recover its DSM costs, the Company must demonstrate that the level of benefits achieved from the program is consistent with the projected benefits and that the program has achieved an appropriate level of benefits at a reasonable cost. The Company must contrast the projected cost/benefits with the actual cost/benefits

achieved and justify any failure to achieve the projected benefits.

3. "IRP Costs include those costs incurred by the Company to prepare, administer and implement Pipeline's IRP. Pipeline should be able to recover all reasonably incurred IRP costs which are found to be consistent with the provisions of this Stipulation and all related Commission procedures and orders in a subsequent rate proceeding. The Staff believes that since the objective of the IRP is to minimize system costs, all customers are intended to benefit and no one customer class, such as firm customers, should bear the full burden of the IRP. (See Appendix A for Pipeline's revised position on this issue.) Other parties, by signing the Stipulation, are not necessarily in agreement with Staff's position on this issue.

4. "DSM Costs" are a portion of the total IRP costs and include the following costs incurred in connection with DSM programs which are found to be reasonably consistent with the objective statement contained in Order No. 93-145 and the overall intent of the Commission's IRP process:

- (i) Those costs incurred by the Company to administer, implement, monitor and evaluate its DSM programs.
- (ii) Incentive payments and rebates provided to or on behalf of the Company's customers pursuant to a DSM program.
- (iii) Properly identified reduced revenues to the Company that result from implementation of a DSM program often referred to as "lost revenues".

5. "Lost revenues" as defined in 4.(iii) are not an issue with respect to the Company's April 1, 1994 IRP filing, because the Company did not seek recovery of such revenues in that filing and does not plan to seek recovery until a later date when those revenues can be measured with greater accuracy.

6. "Utility Incentives" include special incentives made available to the Company to encourage or reward it for participation in a DSM program and to comply with specific requirements of Section 58-37-20 of the SCECEA.

7. A DSM Cost Recovery Process; The Company should track appropriate DSM costs applicable to incentive and rebate payments and advertising costs for recovery through deferred accounting with carrying costs. These costs will be amortized over an appropriate time period that will be determined in the Company's next rate case. Other appropriate DSM Costs are to be recoverable through base rates and the Company may defer incremental DSM costs with carrying costs until a future rate case. Appropriate DSM costs are those that comply with the provisions referenced in paragraph B 1, of this Stipulation and any Commission procedures and orders. To assist the Commission in determining whether DSM costs were prudently incurred, the

Company must file evidence with respect to each DSM program sufficient to enable the Commission to measure the cost-effectiveness of the DSM program. This evidence will include, but need not be limited to, information on the projected costs, the actual costs, the projected benefits, the actual benefits and an explanation for any differences in the projected and actual costs and projected and actual benefits.

8. The Company may incur DSM Costs of the type referred to in Paragraph C.4.(ii) in the future. The actual treatment of "lost revenues" could be determined at some future date. However, the treatment of such revenues when properly determined could be consistent with the treatment of other prudently incurred costs.

9. Based on the Company's best estimate, its aggregate expenditures on DSM pilots will not exceed \$72,000 for the first year, \$140,000 for the second year, \$165,000 for the third year.

10. The Company will inform the Commission and provide appropriate justification when it appears that any annual level of expenditure as identified in item 9 is expected to exceed or fall below the previously estimated amount for that annual period.

11. The Company will file quarterly updates with the Commission showing DSM expenditures on an aggregate basis and also by accounting categories and DSM options/programs.

12. The Company has not sought recovery of any Utility incentives with respect to any of the DSM pilot programs included in its IRP filing. However, the Company shall have the right to seek such incentives once these pilot programs move beyond the pilot stage to become actual DSM options/programs.

13. Appendix A to this Stipulation contains the Company's position regarding its DSM program cost recovery mechanism. The Company's position is included within this document only for informational purposes. The parties to this Stipulation are not agreeing to nor accepting the Company's position. The issue of DSM cost recovery will be addressed by the Commission at some future date.

#### D. DSM Impact Measurement Process

1. The Company will file with its Short-Term Action Plan in April of 1995 an initial formal DSM impact measurement process. This DSM impact measurement process should be enhanced periodically by the Company subject to Commission consideration or as required by the Commission. The DSM impact measurement plan should seek to establish with reasonable confidence:

- (i) The type and magnitude of the impacts of each DSM program or option; and



- (ii) The estimated effects expected to be achieved over the life of a program and the actual effects attributed to a program over a given time period. The DSM impact measurement process should seek to rule out alternative explanations and factors such as weather, snap-back effects, free-riders, changing consumer tastes impacting usage under an option, errors resulting from modeling assumptions, technological and equipment changes, and any other such factors; and
- (iii) The durability of the actual impacts of the program over time; and
- (iv) The degree of market penetration of each option; and
- (v) The cost-effectiveness of each option in achieving the impacts.

2. The parties to this Stipulation recognize that the Commission and the Commission Staff consider the reliability, credibility, and dependability of the DSM impacts and outcomes to be of paramount importance. However, the impact measurement plan need not evaluate each DSM program with the same degree of rigor and effort. It is important in the measurement process that the costs of evaluation be balanced against the value of the information obtained.

3. The parties to this agreement believe that the Company is responsible within the IRP process for fully justifying to the satisfaction of the Commission its overall IRP and the resource options incorporated within the plan, especially the DSM resource options/programs.

E. Future IRPs.

1. The Company agrees with the following list of recommendations developed by the Commission Staff and Consumer Advocate to be incorporated in developing future IRPs.

- (i) The Company will work to develop longer-term demand forecasts and planning horizons. The planning horizons should be for a minimum of ten years.
- (ii) The Company will develop a cost-effective, comprehensive, and reasonable methodology for measuring the impacts of DSM options consistent with Paragraph D.1.
- (iii) The Company will continue to actively explore and evaluate new DSM technologies and programs.
- (iv) The Company will establish an accounting mechanism or process evaluation which will enable the Staff to adequately track all DSM related cost.

- (v) In carrying out the IRP process, the Company will attempt to avoid such circumstances which might produce an unfair competitive advantage by the Company over any small business engaged in the design, sale, supply, installation or servicing of energy conservation, energy efficiency, or other demand-side management measures.
- (vi) The load forecasts should include the following components:
- (1) annual energy and peak day forecast by service type (e.g., sale-for-resale firm, direct industrial firm)
  - (2) for each service type, provide:
    - the model(s) used to forecast annual energy and peak day forecast;
    - a detailed description of the methodology; the data sources,
    - and the results of the basecase and sensitivity cases (e.g., high growth, low growth).
- (This information could be provided as part of a technical appendix that is filed with the IRP.)
- (3) explain the methodology used to reflect the effect of current and future DSM programs in the load forecast.
- (vii) For each year in the IRP, the anticipated supply plan should include the following:
- capacity entitlements by major supply-side resource and cumulative total;
  - annual commodity volumes by major supply-side resource and totals;
  - capacity rates by resource;
  - commodity rates by resource;
  - annual capacity cost by resource and total; and
  - annual total, and average, purchased gas cost;
  - a quantification based on provided historical data which justifies the level of the Company's reserve margin.
- (This information could be provided in a technical appendix.)
- (viii) Present avoided costs by major components (e.g., capacity, commodity, distribution, customer). Describe the methodology and input assumptions used to develop the avoided costs.

- (ix) Pipeline will implement its proposed DSM program beginning in 1995/1996.

2. The parties to this Stipulation believe that the procedures set forth in Paragraph E.3. should be followed for filing new, modified (including those options proposed for elimination) or pilot DSM programs. An overriding concern of this process is that Staff and the other parties be provided the necessary information in a timely manner by the Company so that the Staff and parties have an understanding of the new, modified or pilot DSM programs. The parties are to be allowed to discuss any relevant issues with the Company and a good faith effort should be made by all parties to resolve any disputed issues within the allotted time frame. This procedure will not prejudice the right of any party to question the appropriateness of the DSM programs or their related costs in the future. Moreover, the Company must still comply with the cost recovery requirements set forth by the Commission. Nothing in this Stipulation, however, shall require the Company to share any confidential, proprietary or competitively-sensitive information with any party who is a competitor of the Company.

3. The procedures for the filing of new, modified, discontinued or pilot DSM programs shall be as follows:

- (i) Filings with the Commission of new, modified or pilot DSM programs for evaluation of their reasonableness, consistency with the IRP objective statement and procedures, and cost effectiveness shall be provided to parties of the existing docket. These filings will provide the Commission, the Staff, and the parties of record with information on the proposed new, modified or pilot DSM programs.
- (ii) A list of minimum filing requirements for the new, modified or pilot DSM program filings has been included as Appendix A of the Commission's Gas IRP process as of May 5, 1993. These requirements may be modified from time to time by the Staff. Any party who disagrees with any filing requirement proposed by the Staff and who is unable to resolve his or her differences with the Staff may seek resolution of the disagreement by the Commission.
- (iii) The Company will meet with any interested party of record at the request of the party to discuss the new, modified or pilot DSM program. The parties will have 30 days from the date of the filing to resolve any issue.
- (iv) Any party wishing to express an opinion on the DSM filing may file a letter of Comment with the Commission. This letter will be retained within the docket file. Comments are not, however, required to

of a DSM program at a future date.

Compliance with these filing requirements will allow the Company to:

- (a) proceed with implementation of the new, modified or pilot DSM program as filed or with the elimination of any program no longer consistent with the Commission's IRP objectives, and
- (b) include the specified DSM costs within a deferral account consistent with related IRP procedures established by the Commission.

The modified process for item E.3. shall supersede the procedure for SC Pipeline Corporation as set forth under the amended Gas IRP procedures developed by the Commission under Docket No. 91-677-G.

F. Intent: It is the intent of this Stipulation that any utility cost recovery associated with Integrated Resource Planning or demand side management or lost revenues or incentives will be determined by the Public Service Commission in a subsequent base rate hearing in accordance with applicable law and the State Constitution.

SC Electric and Gas Company

SC Pipeline Corporation

by: \_\_\_\_\_

by: Samuel D. Bruch

Date: \_\_\_\_\_

Date: 10/21/94

SC Department of Consumer Affairs

SC Energy Users Committee

by: \_\_\_\_\_

by: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

of a DSM program at a future date.

Compliance with these filing requirements will allow the Company to:

- (a) proceed with implementation of the new, modified or pilot DSM program as filed or with the elimination of any program no longer consistent with the Commission's IRP objectives, and
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SC Electric and Gas Company

SC Pipeline Corporation

by: \_\_\_\_\_

by: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

SC Department of Consumer Affairs

SC Energy Users Committee

by: \_\_\_\_\_

by: C. H. L. L. L.

Date: \_\_\_\_\_

Date: To attorney

10/24/94

of a DSM program at a future date.

Compliance with these filing requirements will allow the Company to:

- (a) proceed with implementation of the new, modified or pilot DSM program as filed or with the elimination of any program no longer consistent with the Commission's IRP objectives, and
- (b) include the specified DSM costs within a deferral account consistent with related IRP procedures established by the Commission.

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SC Electric and Gas Company

SC Pipeline Corporation

by: James Patrick Hicken

by: \_\_\_\_\_

Date: 10/21/94

Date: \_\_\_\_\_

SC Department of Consumer Affairs

SC Energy Users Committee

by: \_\_\_\_\_

by: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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Compliance with these filing requirements will allow the Company to:

- (a) proceed with implementation of the new, modified or pilot DSM program as filed or with the elimination of any program no longer consistent with the Commission's IRP objectives, and
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SC Electric and Gas Company

SC Pipeline Corporation

by: \_\_\_\_\_

by: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

SC Department of Consumer Affairs

SC Energy Users Committee

by: Ellitt F. Elam, Jr.  
Date: 10/24/94

by: \_\_\_\_\_  
Date: \_\_\_\_\_

(August 23, 1994)

## APPENDIX A

In an attempt to provide for a more equitable sharing of the recovery of DSM-related expenditures, the Company is willing to revise its proposed DSM program cost recovery mechanism. Under the recovery mechanism that was originally proposed by the Company in its Plan, all General Corporate DSM Expenditures would be recovered from the Company's Sale-for Resale Customers, while the Direct Participant-Related Program Expenditures would be recovered directly from the customers who participate in the program.

Under the revised proposed DSM program cost recovery mechanism, the Company will recover up to 35% of the General Corporate DSM Expenditures from its direct industrial customers, but again only from those industrial customers that choose to participate in the program. To achieve this, the Company will recover an amount from each participating customer equal to 10% above the total incentive/rebate provided to that customer. For example, if the Company provided \$25,000 in incentives and rebates to a customer for participating in the program and investing in cost-effective DSM measure(s), it will recover over a period of time (e.g., three years) \$27,500 (\$25,000 plus 10%) from that customer. In addition, the Company will recover carrying costs that result from the fact that the recovery will occur over time.

In its revised proposal, the Company continues to rely on recovery from participating industrial customers and not from non-participating direct industrial customers. It has chosen to do so because of the competitive pressures that the Company faces in the direct industrial market. The Company's ability to sell gas or provide transportation services to this customer segment is a direct function of the Company's prices relative to the prices of the customers' alternative fuels. As such, the Company believes that any attempt to recover DSM-related expenditures from non-participating direct industrial customers will result in lost sales and transportation revenues from this customer segment. The negative impact of these lost revenues on the Company's Sale-for-Resale customers could be significant.

The Company recognizes that the level of General Corporate DSM Expenditures that will actually be recovered from participating direct industrial customers will be a function of the number of customers that participate in the program, as well as the aggregate level of incentives or rebates provided by the Company to these customers. As such, actual recovery from direct industrial customers will be somewhere between 0% and 35% of the total General Corporate DSM Expenditures.



The Company will make every effort possible to recover as much of the General Corporate DSM Expenditures as it can from participating industrial customers. The Company will also do everything it can to minimize the total amount of General Corporate DSM Expenditures incurred so that any net negative impact on the Company's Sale-for-Resale customers will be minimal. The Company strongly believes that the proposed three-year DSM-related budget is modest and the potential impact of these costs are outweighed by the benefits that will result from the Company's becoming involved in the design and implementation of cost-effective DSM program.